

**SECTION 3 (80 marks)**Answer **ONE** question**8. Overhead Apportionment/Job Costing**

Moran Ltd has two production departments, 1 and 2 and two ancillary Service Departments, A and B. The following costs relate to 2016.

	<b>Total</b>	<b>Production 1</b>	<b>Production 2</b>	<b>Service A</b>	<b>Service B</b>
	€	€	€	€	€
Indirect materials	380,000	245,000	135,000	-----	-----
Indirect labour	400,000	280,000	120,000		
Machine maintenance	12,000				
Depreciation on factory buildings	30,000				
Factory light and heat	18,000				
Factory cleaning	8,000				
Factory canteen	5,600				

The following information relates to the production and service departments:

	<b>Total</b>	<b>Production 1</b>	<b>Production 2</b>	<b>Service A</b>	<b>Service B</b>
Volume in cubic metres	6,000	3,000	1,500	1,000	500
Floor area in square metres	1,000	400	300	200	100
Number of employees	490	280	140	70	-----
Book value of buildings	600,000	300,000	150,000	100,000	50,000
Machine hours	50,000	30,000	20,000	-----	-----
Labour hours	60,000	15,000	45,000	-----	-----

Service departments are to be transferred to the Production Departments on the following percentage basis:

	<b>Production 1</b>	<b>Production 2</b>
Service A	70%	30%
Service B	60%	40%

Job No. 650 has just been completed, the details are:

	<b>Direct Materials</b>	<b>Direct Labour</b>	<b>Machine Hours</b>	<b>Labour Hours</b>
	€	€		
Production 1	7,500	4,000	120	50
Production 2	2,800	3,900	80	100

The company budgets for a profit margin of 20%.

**Required:**

- (a) Calculate the overhead to be absorbed by each department showing clearly the basis of apportionment used.
- (b) Transfer the service department costs to production departments 1 and 2.
- (c) Calculate a suitable overhead absorption rate for each department.
- (d) Compute the selling price of Job No. 650.
- (e)
  - (i) Explain what is meant by reapportionment of overheads.
  - (ii) Name **three** overhead absorption rates and state why they are based on budgeted figures.

**(80 Marks)**